

Michigan's Tax Policies: Wrong Turns on the Path to Prosperity

A data driven review

A failed experiment

- Hypothesis: If we cut taxes, our economy will boom
- Experiment: Cut taxes by \$51.1 billion over from 1994 to 2013
- Analysis:

Index	1994 status	2013 status
Per capita income	Ranked 18 th in the nation.	Rank 35 th in nation.
Unemployment rate	MI 6.2 % U.S. 6.1%	MI 8.4% U.S. 6.2%

- Conclusion: “The experiment has failed, and we should stop repeating it.”

Tax cuts, 1994-2013

\$51.1 billion in cumulative reductions in revenues

\$38.3 billion affecting school aid

Reductions in:

Income taxes

Property taxes

Sales taxes

Business taxes

Michigan last in revenue increases, 1977-2011

State	1977 \$	1977 rank	2011 \$	2011 rank	% Change Rank, 1977-2011
Michigan	\$870	13	\$3655	30	51
Wisconsin	\$877	12	\$4,483	18	42
Illinois	\$847	14	\$4,627	15	31
Minnesota	\$904	9	\$5,018	9	29
Indiana	\$637	31	\$3,553	33	26
Ohio	\$629	32	\$3,090	27	11

State and local revenue, per capita

Improved Tax Foundation ratings not lead to income improvements

State	2006 Score	2006 Rank	2006 Rank in per cap income	2014 Score	2014 Rank	2013 Rank in per cap income
Michigan	5.20	28	35	5.73	14	35
Indiana	5.86	12	40	5.99	10	38
Illinois	5.22	26	11	5.00	31	15
Ohio	3.82	47	30	4.58	39	30
Wisconsin	4.77	37	23	4.43	43	26
Minnesota	4.71	39	12	4.06	47	11

Business share of tax burden

State	% of total taxes paid by business, 2004	Rank 2004	% of total taxes paid by business, 2012	Rank 2012
Michigan	39.3	38	35.8	49
Indiana	42.2	29	40.1	40
Illinois	44.8	21	45.3	28
Ohio	40.1	33	38.9	45
Wisconsin	37.7	44	39.9	41
Minnesota	39.4	37	39.9	39

Impact of cuts

- K-12 schools
 - Reductions in all types of staff
 - Class sizes up
 - Cuts to staff compensation
 - Emergency managers appointed, reducing local control
 - 46 deficit schools
 - Buena Vista, Inkster dissolved
 - Highland Park, Muskegon Heights chartered

Impact of cuts

- Higher Education
 - 1994: State paid \$5,390 per student (2014 \$), or 50 percent of the cost of a degree.
 - 2014: State pays \$2,981 per student (2014 \$), or 21.5 percent of the cost of a degree.
- Revenue sharing
 - Down \$6.1 billion since 2000
 - Cities in financial distress
 - Emergency managers hired
 - First responders laid off

The bottom line

- Since 1994, we have been promised that tax cuts would lead to prosperity
- They have not
- Our quality of public goods has been diminished
- It's time to stop digging the hole
- It's time to begin a dialogue about a new prosperity strategy
- Investment in education, cities, infrastructure needs to be a cornerstone